UNITED NATIONS

DP

Executive Board of the United Nations Development Programme and of the United Nations Population Fund

Distr.
GENERAL

DP/1995/52
1 September 1995

ORIGINAL: ENGLISH

Third regular session 1995
11-15 September 1995, New York
Item 4 of the provisional agenda
UNDP

UNDP: FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

REVISED BUDGET ESTIMATES FOR THE BIENNIUM 1994-1995 AND BUDGET ESTIMATES FOR THE BIENNIUM 1996-1997

Report of the Advisory Committee on Administrative and Budgetary Questions

I. INTRODUCTION

1. In accordance with regulation 9.5 of the Financial Regulations of the United Nations Development Programme (UNDP), the Advisory Committee on Administrative and Budgetary Questions has considered the revised budget estimates of UNDP for 1994-1995 and budget estimates for 1996-1997, as contained in an advance copy of document DP/1995/51. During its consideration of these items, the Advisory Committee met with the Administrator, the Associate Administrator and other senior officials of the Programme, who provided additional information.

2. The Advisory Committee believes that the budget document should be improved by organizing the presentation of various sections in an integrated manner, avoiding excessive repetitions in various parts of the document, which, in many instances, render the document confusing and difficult to follow. For example, the same information in the overview is often repeated in the introductory paragraphs of the main sections of the budget and the amounts in the text differ from those in the annexes. In addition, the Committee recommends that in future the budget document should include a draft appropriation decision, outlining clearly all the proposals of the Administrator, including establishment of new posts, abolitions of posts and reclassifications.

95-26846 (E) 080995 110995

/...

3. The Advisory Committee notes from paragraphs 32-35 of document DP/1995/51 that UNDP is fully committed to improving the budget presentation in order to provide a comprehensive and transparent proposal. It notes that changes will be introduced in the context of the harmonization of budget presentations with those of the United Nations Population Fund (UNFPA) and the United Nations Children's Fund (UNICEF), in accordance with General Assembly resolution 49/216 E of 23 December 1994 and UNDP/UNFPA Executive Board decision 94/30 of 10 October 1994. The Committee exchanged views on this question with the representatives of the Administrator. The Committee recommends that UNDP and the other programmes and funds of the United Nations compile information indicating the extent to which budget presentation in their respective administrations has certain features in common. The next step would be to identify those areas that are not common, explain the reasons therefore and indicate what other steps should be taken to effect further harmonization, including proposals for action by member States.

4. With reference to the overall resource growth of UNDP, the Advisory Committee notes from paragraph 72 that overall UNDP resources, including trust fund resources, are projected to grow by approximately 10 per cent per year. In the view of the Committee, this resource projection may not be attainable in the light of the overall resource situation for development activities of the United Nations system. Upon request, the Committee was provided with UNDP's projected income by sources of funds for the bienniums 1994-1995 and 1996-1997 (see the annex to the present report). The Committee notes that voluntary contributions are projected at $1,896 million for 1994-1995 and $2,034 million for 1996-1997, reflecting an increase of approximately 7.3 per cent. The Committee notes that overall UNDP resources continue to grow at a modest pace and that non-core resources are beginning to approximate core resources; the lack of significant growth in core resources limits UNDP's flexibility to implement the Programme's goals as established by the Executive Board for UNDP.

5. The Advisory Committee recalls paragraph 3 of the Governing Council's decision 93/35, in which the Council requested the Administrator, in line with the recommendation made by the Committee, to include a concise statement of UNDP's current and projected income, as well as anticipated expenditure, in the introductory part of the document in order to place the Administrator's budgetary proposals in a better context. As previously indicated (DP/1993/46, para. 6), it was not the Committee's intention that the information to be included in the budget document would replace the Administrator's comprehensive review of UNDP's financial situation, which is normally submitted in a separate document to the Executive Board at its third regular session in September. The Committee reiterates its request that the next budget presentation should include the concise statement of income.

6. The Advisory Committee notes from paragraphs 9-13 and 74-76 that UNDP is in the midst of extensive reform in order to implement the initiatives for change proposed by the Administrator in document DP/1994/39, as approved by the Executive Board in its decision 94/14. With regard to the resources allocated to administration and programme support, the Committee was informed that UNDP would continue the policy of maximizing the resources available for programmes and, therefore, as far as the biennial budget was concerned, the Administrator would continue to pursue a policy of restraint.

II. REVISED BUDGET ESTIMATES FOR THE BIENNIUM 1994-1995

7. As shown in table I of the budget document, the proposed revised total estimates for the biennium 1994-1995 for UNDP as a whole amount to $574,392,700 gross and $537,692,700 net, reflecting a decrease of $2,363,100 or 0.4 per cent from the approved estimates for 1994-1995, which amounted to $576,755,800 gross or $540,055,800 net. The revised 1994-1995 budget estimates for UNDP core activities, including support to operational activities of the United Nations, amount to $472,031,300 gross or $435,331,300 net. As mentioned in paragraph 4 of the budget document, the proposed revised estimates of $472,031,300 are approximately $14.1 million less than the comparable original figure for 1994-1995 ($486,147,300) approved by the Executive Board in decision 93/35 (see also table IV.1).

8. The Advisory Committee notes from paragraph 28 that, in accordance with Executive Board decisions 94/29 and 94/32 of 10 October 1994, the biennial budget estimates of the United Nations Office of Project Services (UNOPS) are presented separately from those of UNDP (see DP/1995/60). The Committee notes, therefore, that the amounts shown in table I do not include the amount of $31,126,200 appropriated by the Executive Board in decision 94/29 for UNOPS from UNDP general resources, as part of the total appropriation of $607,882,000 gross or $571,182,000 net for 1994-1995. Upon request, the Committee was informed that inflation adjustments in the revised estimates for 1994-1995 include changes in inflation rates in New York from 3 per cent to 2.6 per cent, in Geneva from 4 per cent to 1.6 per cent and in the field offices from 9.1 per cent to 8.2 per cent.

9. The Advisory Committee requests that in the future, organizational changes that affect budget presentation should be explained much more clearly. In this connection, the Committee exchanged views with representatives of the Administrator on some of the realignments and adjustments referred to in paragraph 39 and explained further in paragraphs 40-49 of the budget document. The Committee notes that the changes have been implemented "within the existing budgetary resources" of 1994-1995. The Committee regrets, however, that information such as that contained in table IV.2 should have been justified in terms of function and service requirements. With respect to the establishment as of December 1994 of the Office of Development Studies (ODS) as explained in paragraph 44, the Committee questions why the functions of the Office could not be part of the responsibilities of the Office of Evaluation and Strategic Planning (OESP). The Committee notes that the Office is staffed by one Professional and two General Service posts only and reports directly to the Administrator.

10. As explained in paragraph 46, the Office of United Nations System Support and Services (OUNS) started functioning in October 1994. The functions of the Office include the humanitarian programme. Upon request, the Committee was informed that OUNS was established by the Administrator in response to the Secretary-General's request to assist him in a personal capacity in "ensuring policy coherence and enhancing coordination within the United Nations itself". The Committee observes that, as indicated in paragraph 7A.2 of the proposed programme budget of the United Nations for the biennium 1996-1997, 1/ the Department for Policy Coordination and Sustainable Development of the United

Nations also has as principal responsibility, inter alia, to assist "the Secretary-General in the exercise of his responsibilities for system-wide coordination and assisting him, along with other organizational entities, in ensuring policy coherence, coordination and efficient management".

11. In this regard, the Advisory Committee requests the Secretary-General to clarify the respective roles of UNDP and of the Department for Policy Coordination and Sustainable Development during the consideration by the General Assembly, at its fiftieth session, of the triennial policy review, as requested in paragraph 55 of Assembly resolution 47/199 of 22 December 1992. This clarification should include specific reference to the mandate of OUNS, the status of its staff (see para. 38 below) and their responsibilities vis-à-vis UNDP and the United Nations.

United Nations Volunteers

12. The Advisory Committee notes that the revised estimates for the United Nations Volunteers (UNV), chargeable to the UNDP biennial budget under programme support and development activities, increased from $31,241,000 approved for 1994-1995 to a revised estimate of $33,619,900 for 1994-1995, reflecting an increase of $2,378,900, or 7.6 per cent.

13. As indicated in paragraph 52, the Administrator is proposing to increase the UNV supplementary staff by one Professional post and one General Service post to a total of 8 Professional and 21 General Service posts. This supplementary staff is in addition to UNV core staff (25 Professional and 39 General Service posts). The proposed increase in the supplementary staffing table of UNV for 1994-1995 is based on the staffing formula approved by the Governing Council in its decision 88/46, which permitted the establishment of a staffing unit for every 70 Volunteers over a base of 1,000 in the field, as at the end of the previous year. In accordance with the approved formula, a staffing unit would be composed of either one Professional post and one General Service post, or three General Service posts.

14. The Advisory Committee notes from paragraph 52 that as at 31 December 1994 there were 1,854 Volunteers in the field applicable to the staffing formula, as compared with 1,795 Volunteers as at 31 December 1993. The Committee was informed of the participation of UNV specialists in peace-keeping and humanitarian activities (282 Volunteers out of 2,127 Volunteers as at 31 December 1994). As indicated previously (see DP/1994/36, para. 7), the Committee welcomes this development; however, the time has come for UNDP to review the staffing formula for adding supplementary UNV headquarters staff on the basis of the increase in the number of Volunteers in the field. The Committee believes that with the introduction of office automation there should be economies of scale in UNVs central administrative services and that related costs should not increase in direct proportion to the increases in the number of Volunteers in the field. Moreover, the Committee believes that the need for separate administrative units for UNVs in peace-keeping operations should be reviewed to ascertain whether it is possible to carry out this work within existing personnel management of peace-keeping operations.

United Nations Development Fund for Women

15. The Advisory Committee notes from paragraph 63 that the Executive Board has outlined in its decision 95/18 of 14 June 1995 specific steps that the Administrator must take to address the financial and administrative situation of the United Nations Development Fund for Women (UNIFEM), such as a further reduction in the administrative expenditure to a level more consistent with the resources for UNIFEM's projects. As indicated in paragraph 188, this reduction includes the freezing of two Professional and two General Service posts in 1995 and two additional Professional and General Service posts in 1996. The Committee also notes that, in accordance with decision 95/18, paragraph 11, a staff member from the UNDP Division of Finance has been outposted to UNIFEM to assist in the monitoring of project funds. The Committee trusts that, as recommended by the Board of Auditors (DP/1995/CRP.6, para. 5), the staff member outposted from the Division of Finance to UNIFEM will be able to exercise effective monitoring and oversight of UNIFEM's budgetary resources. The Committee recommends that the Board of Auditors continue to keep the financial situation of UNIFEM under review. The Committee will revert to this matter in the context of its examination of the report of the Board of Auditors for the biennium 1994-1995.

III. BUDGET ESTIMATES FOR THE BIENNIUM 1996-1997

16. As shown in table I of the budget document, the proposed estimates for the biennium 1996-1997 for UNDP as a whole amount to $576,807,100 gross or $538,807,100 net, reflecting an increase of $2,414,400 gross or $1,114,400 net over the revised estimates for the biennium 1994-1995 of $574,392,700 gross or $537,692,700 net. The Committee notes from paragraph 67 and table VI.2 that the Administrator's proposal reflect a volume decrease of $52,974,000, offset by a total cost increase of $55,388,400, of which $50,999,900 is explained as relating to inflation projections (see table VI.2). The 1996-1997 budget estimates for core activities, including support to operational activities of the United Nations but excluding the budget estimates for OUNS ($2,447,100), amount to $470,510,200, as compared with the revised estimates of $472,031,300 for 1994-1995 (see para. 7 above). Upon inquiry, the Committee was informed that the inflation rate assumptions for 1996-1997 were 2.6 per cent in New York, 1.6 per cent in Geneva and 6.6 per cent in the field.

17. The Advisory Committee notes from paragraphs 22 and 164 that the Administrator estimates that 29 per cent of the country offices workload relates to support to the operational activities of the United Nations. The Committee recalls that, as stated in table VI.3 of the Administrator's budget report DP/1993/45, the basis for the calculation of 29 per cent was limited to a two-month period survey of work performed for non-UNDP financed activities in a number of offices. The Committee believes that the basis for the calculation may no longer hold since the workload situation in the field offices has changed from the time the data was collected in 1992, and the methodology of the survey should therefore be reviewed and refined. The Committee recalls that as indicated in paragraph 25 of its report DP/1992/39, the issue of a separate appropriation line for "support to operational activities of the United Nations" is basically one of presentation since, in view of the central role of UNDP, the

full cost of services provided by the field office network to non-UNDP financed activities is fully charged to UNDP's biennial budget. The Committee recommends that, in the context of harmonization of budget presentations with other funds and programmes in the United Nations system (i.e., UNICEF and UNFPA), the issue be reviewed.

18. The Advisory Committee notes from paragraph 16 and tables VI.3 to VI.6 that the Administrator proposes for the 1996-1997 biennial budget the abolition of 364 core posts (20 Professional and 30 General Service posts at headquarters and 85 international Professional and 229 General Service posts in the field offices) and the establishment of 20 National Professional Officer (NPO) posts in the field offices. Thus, core post reductions from the biennium 1994-1995 to the biennium 1996-1997 are proposed, as follows: at headquarters, Professional posts would be reduced from 202 posts to 182 posts and General Service posts from 280 posts to 250 posts; and in the field offices, international Professional posts would be reduced from 429 posts to 344 posts and General Service posts from 2,668 posts to 2,439 posts, and NPOs would increase from 425 posts to 445 posts.

19. As indicated in table VI.3 and described in paragraphs 85 to 116, staff changes of core activities at headquarters entail staff reductions in the Bureau for Resources and External Affairs (BREA) (2 Professional and 3 General Service posts), the Bureau for Policy and Programme Support (BPPS) (5 Professional and 3 General Service posts), the Bureau for Finance and Administration (BFA) (4 Professional and 9 General Service posts), the Division of Personnel (DOP) (2 Professional and 7 General Service posts), the Division for Audit and Management Review (DAMR) (1 Professional post), the Office of Development Studies (ODS) (1 Professional post) and the regional bureaux (13 Professional and 10 General Service posts); and staff increases in the Regional Directorate for Europe and the Commonwealth of Independent States (RDEC) (3 Professional and 2 General Service posts). Furthermore, as indicated in paragraph 86, the Administrator proposes "to reserve some staff resources (five Professional posts) for subsequent allocation by him, in connection with the change in organizational structure that he foresees will be introduced during the biennium". An overview of the relative impact of reductions since 1990-1991 is given in table VI.4.

20. The Advisory Committee does not agree with the proposal of the Administrator in paragraph 86 to maintain staff resources in "reserve" for future allocation during the biennium. In the view of the Committee, should the five Professional posts in question be determined to be required after careful functional analysis, it would be for the Administrator to budget and allocate these posts in accordance with organizational priorities.

21. The Advisory Committee notes from paragraphs 29 and 113-116 that the Administrator proposes that the budget estimates for the Commonwealth of Independent States and the Baltic States form an integral part of the overall biennial budget estimates in a manner that is consistent with the presentation of budget estimates for regions in general and countries in particular. In this connection, the Committee is of the view that, without prejudice to the post level of the Director for Europe and the Commonwealth of Independent States, which the Administrator proposes at the D-2 level in paragraph 116 and the

Committee endorses, the nomenclature for this organizational unit (i.e., "Directorate") should be replaced by that used for other regional organizational units (i.e., "Bureau").

22. As regards the allocation of 20 additional NPO posts, the Advisory Committee notes that the Administrator proposes the establishment of 9 posts in Africa, 2 posts in Asia and the Pacific and 11 posts in Latin America and the Caribbean and the abolition of 2 posts in the Arab States. The Advisory Committee has no objection to this proposal. However, it was not clear to the Committee whether the proposed establishment of NPO posts were in fact reclassifications of the General Service posts proposed for abolition in the same offices. In this connection, the Committee recalls that the General Assembly, in section IV.B of its resolution 49/223 of 23 December 1994, agreed to the revised criteria for the employment of NPOs outlined in annex VI to the report of the International Civil Service Commission (ICSC) for the year 1994. 2/ The Committee trusts that the employment of NPOs by UNDP will be carried out in strict compliance with ICSC's revised system-wide criteria for employment of NPOs, as approved by the Assembly.

23. The Advisory Committee notes from paragraphs 87-116 and 172 that the Administrator proposes the reclassification of 13 core posts (10 at headquarters in New York and 3 in field offices) and 4 non-core posts, 3 at the Inter-Agency Procurement Services Office (IAPSO) and 1 at UNV, as follows:

Headquarters

Bureau of Resources and External Affairs

Chief, Media Selection (P-4 to P-5)
Chief, Communication and Liaison (P-4 to P-5)
Executive Officer (P-3 to P-4)

Bureau of Finance and Administration

Executive Officer (P-3 to P-4)

Division of Finance

Chief, Programme Funds Control (P-5 to D-1)

Division for Administrative and Information Services

Travel Accountant (P-3 to P-4)

Regional Bureau of Africa

Deputy Director (D-1 to D-2)

Regional Directorate for Europe and the Commonwealth of Independent States

Division Chief (P-5 to D-1)
Deputy Chief (P-4 to P-5)
Programme Management Officer (P-3 to P-4)

Field Offices

UNDP Sao Tome

Administrative Officer (P-2 to P-3)

UNDP Mongolia

Administrative Officer (P-2 to P-3)

UNDP Haiti

Deputy Resident Representative (P-4 to P-5)

Programme Support and Development Activities

Inter-Agency Procurement Services Office

Director (D-1 to D-2)
Deputy Director (P-5 to D-1)
Chief, Administration, Finance and Information Technology Service (P-4 to P-5)

United Nations Volunteers

Senior Officer (P-4 to P-5)

24. The Advisory Committee notes from paragraphs 81 and 82 that with regard to proposed staff reductions and reclassification of posts, the Administrator's proposals were formulated on the basis of financial reduction targets as established by the Administrator for organizational units at the bureau/division level. The Committee inquired as to what functional analyses were carried out and what criteria were established to prioritize the reductions. The Committee did not receive any satisfactory explanation on these matters or on how the budgetary process was related to the organizational goals listed in paragraph 75. The Committee does not disagree with the Administrator's proposed reductions and his strategy for streamlining and rationalizing UNDP's administrative infrastructure; the Committee, however, requests that further explanation be provided to the Executive Board, including recruitment data for 1994-1995.

25. With regard to the proposed reclassifications, the Advisory Committee notes that these include the reinstatement of the second post of Deputy-Director of the Regional Bureau of Africa at the D-2 level. In the light of the information in paragraph 106 of the budget document and the explanations provided to the

Committee, the Committee agrees with this proposal. With regard to the reclassification of other posts, as listed in paragraph 23 above, the Committee requested but did not receive confirmation as to whether the posts had already been classified by the UNDP Division of Personnel. The Committee was informed that, following the adoption of Governing Council decision 92/37, paragraph 17, and as requested by the Council in its decision 93/35, paragraph 31, UNDP was preparing a report on reclassifications, as an addendum to the budget document (DP/1995/51). Under the circumstances, the Committee is unable to take a position on the other proposals for reclassification of core posts. With regard to the non-core posts, these proposals are further discussed in paragraphs 43-45 below.

Regional service centres

26. The Advisory Committee notes from paragraph 99 that the budget proposals pertaining to DAMR should be considered in conjunction with the proposal made by the Administrator relating to the implementation of the regional service concept. As shown in table 3 of annex II to the budget document, the budget estimates for 1996-1997 for DAMR amount to $2,955,000. Furthermore, the Committee notes that the staff change mentioned in paragraph 19 above relates to a change in the source of financing for one Professional post from the core budget to extrabudgetary resources. As indicated in paragraphs 100 and 121-126 of document DP/1995/51, UNDP has been able to expand its audit coverage through the contracting of audit services to two major international audit firms. The contract with one firm, Price Waterhouse, Kuala Lumpur, covers two account examinations and one audit per year per office in 24 offices in the Asia and the Pacific region at a total cost of $430,000 per year, or $17,900 per office; and the second contract with the firm of Coopers and Lybrand, Zimbabwe, covers four account examinations and one audit per year for each of the 44 country offices in the Africa region at a total cost of $1,200,000, or $27,300 per office. Thus, the Administrator's proposal for 1996-1997 for covering the Africa region and the Asia and the Pacific region amounts to $3.2 million. The Committee notes from paragraph 126 that $2.8 million will be paid from UNDP resources and $400,000 from extrabudgetary resources.

27. With regard to the audit coverage for the Asia and the Pacific region, the Committee recalls (DP/1994/36, para. 9) that the firm of Price Waterhouse was awarded a one-year contract in August 1993, in the amount of $300,000, to perform in each of the 24 UNDP field offices of the Asia and the Pacific region quarterly account examination and internal audit services. Upon inquiry, the Committee was informed that the audit exercise had proved to be more expensive than originally anticipated and that, in the light of the one-year experience with the contractor, the proposed number of audits was sufficient to ensure financial and management accountability effectively in this region.

28. The Advisory Committee welcomes the efforts to enhance financial and management accountability. However, the Committee notes that the total budget proposal for the internal audit function mentioned in paragraph 26 above amounts to $6,155,000 in 1996-1997. The Committee requests UNDP to monitor closely the developments referred to in the preceding paragraphs to ensure at all times that the organization is obtaining the best value for money for the audit services in the field offices.

29. In paragraphs 127 to 130, the Administrator reviews the issues concerning decentralization in the light of his strategic planning framework described in paragraph 76. The Advisory Committee notes from paragraphs 128 and 129 that, as a result of increased decentralization, particularly since early 1993, the resident representatives now have considerable authority for financial, administrative and personnel responsibilities.

30. The Advisory Committee sought clarification as to the level of delegated authority for project approval. The Committee was informed that resident representatives might, on behalf of the Administrator, approve new projects at a cost of up to $1,000,000, with the exception of programme logistical support projects; with regard to personnel management, resident representatives had full delegated authority on all matters concerning national support staff, NPOs and contractual staff of the Field Office Development Support Services (DSS); and in reference to procurement contracts, resident representatives had authority to approve contracts for goods and services up to $100,000, with the advice of the local contracts committee.

31. The Advisory Committee notes from table 6 (b) of annex II to the budget document that, for the biennium 1996-1997, the Administrator proposes a budget of $21,118,000 for information management and electronic data-processing systems. As indicated in table 6 (b), this amount does not reflect the total UNDP cost in the area of information management and electronic data-processing systems. The Committee requested the total amount, but it was not provided as it was not readily available in separately identifiable budgets.

32. As indicated in paragraphs 131-137, effective and efficient electronic information systems are essential for the successful implementation of the Administrator's policies on decentralization. The Committee notes from paragraph 133 that all systems development is being undertaken by UNDP within the framework of the Integrated Programme Management Project (IPM) and the Integrated Management Information System (IMIS).

33. As indicated in paragraph 136, the total cost of the implementation of IPM and IMIS is estimated at $13 million over the period 1995 to 1998. In order to implement the project earlier than anticipated, the Administrator proposes to charge $2 million to the "reserve for transitional measures". The Advisory Committee requested and received the following IPM and IMIS implementation schedule. The Committee was also informed that, as part of the $13 million estimated for 1995-1998, $5.5 million was projected to be spent on both IPM and IMIS during 1996-1997; furthermore, of the $5.5 million, $3.5 million was budgeted under the budget line for systems development in the core biennial budget, and $2 million was requested in the "transitional budget". The Committee is of the view that systems development costs and plans should be fully budgeted in the period concerned in the biennial budget and disclosed as part of the costs of the Division for Administration and Information Services in the core budget for headquarters.

IPM project schedule

Phase	Applications	Completion date	Anticipated cost (Millions of United States dollars)
1	Country office project management Decentralized programme management Document management Resident coordinator system Programme financial management	1995-1996	3.0
2	Revisions and enhancements to phase 1 Executive information system Country office financial management	1996-1998	2.0
3	Resource mobilization Evaluation and feedback Product research Country office administration and human resources	1997-1998	2.0

UNDP-IMIS project schedule

Release	Applications	Implementation date	Estimated cost (Millions of United States dollars)
1	Personnel (excluding entitlements) Post management Account code structure	February 1996	
2	Personnel entitlements	February 1996	2.5
3a	General ledger Funds distribution Procurement Accounts payable	1996-1998	3.0
3b	Payroll	1996-1997	0.5

Programme support and development activities

34. As indicated in paragraphs 21 and 158, programme support and development activities constitute the second main component of the appropriation structure of the biennial budget funded from UNDP general resources and comprise: (a) programme development activities; (b) support to the operational activities of the United Nations; (c) project/programme implementation support, which includes DSS, IAPSO, UNV and support to national execution; and programme support (UNDP contributions to the Consultative Group on International Agricultural Research and to the UNDP-UNSO/United Nations Environment Programme (UNEP) partnership).

35. With regard to the proposed realignments of programme support and development activities, the Committee notes from table VI.7 that the Administrator proposes staff changes, resulting in staff increases in the Human Development Report Office (one Professional post and one General Service post), ODS (one Professional and two General Service posts), OUNS (four Professional and four General Service posts); and reductions in IAPSO (three Professional and three General Service posts) and UNV (four Professional and four General Service posts).

36. Under programme development activities, the Advisory Committee notes from paragraph 162, table VI.7 and table 3 of annex II to document DP/1995/51 that the Administrator proposes estimates of $2,776,600 for the Human Development Report Office in the biennium 1996-1997. This includes an additional post for a senior statistician and one General Service post. The Advisory Committee notes from paragraph 10 of document DP/1995/34 that a full-time senior statistician has already been appointed. Upon request, the Committee was informed that estimated 1995 expenditures on the Human Development Report are $3.1 million to be paid from all sources, including $1.3 million from the biennial budget. In the view of the Committee, steps should be taken to ensure that the publication and promotion of the Human Development Report are carried out in a cost-effective manner, bearing in mind the financial situation of UNDP.

37. With regard to the proposal of the Administrator to reallocate one Professional post and two General Service posts to ODS, as mentioned in paragraph 9 above, the Committee believes that the proposed work programme of this Unit could be carried out by BPPS and OESP and therefore see no justification for these posts.

38. As indicated in paragraph 165, for the biennium 1996-1997, the Administrator proposes to reflect the costs of OUNS in the amount of $2,447,100 under the appropriation line "Support to the operational activities of the United Nations" (see table 3 of annex II). The Advisory Committee notes that this Office started functioning in October 1994, although budgetary provisions for the Office were not authorized in 1994-1995. For the biennium 1996-1997, the Administrator proposes to reallocate to OUNS, in addition to the two Professional posts (one D-2 and one P-5) approved by the Governing Council for the humanitarian programme, four new Professional posts (one D-2, one D-1, one P-5 and one P-3) and four General Service posts. Taking into account General Assembly resolution 47/199, paragraph 39, the Committee is of the view that the new activities of OUNS entrusted to the Administrator by the

Secretary-General should be financed by the United Nations regular budget. Furthermore, the Committee is of the view that there should be no need to request additional posts under the United Nations regular budget for these functions. Pending clarification by the Assembly of the respective roles of UNDP and the Department for Policy Coordination and Sustainable Development and the sources of funding, the Committee recommends that, with the exception of those posts already approved by the Governing Council for the humanitarian programme in decision 93/35, paragraph 11 (one D-2 and one P-5), approval of all other posts for OUNS be deferred.

39. The Advisory Committee notes from table 3 of annex II that the Administrator proposes under the biennial budget for 1996-1997 the amount of $13,353,500 for programme development activities in the field. The Committee is of the view that the document should provide information on the proposed utilization of these resources. The Committee recalled that the economist programme was the only element of programme development activities located in the field (DP/1993/45, para. 208) and that the Administrator planned to expand the field component of programme development activities to include networks of national officers in the area of sustainable development and human immunodeficiency virus/acquired immunodeficiency syndrome (HIV/AIDS) (DP/1993/46, para. 46). Upon request, the Committee was informed that for 1996-1997 the budget would cover the cost of 27 economist posts ($9,321,400), 41 NPO posts in the area of sustainable development and 22 NPO posts for HIV/AIDS activities. The Committee recommends that the Administrator submit a comprehensive review of the programme development activities programme since its establishment. Relevant information of the review be included in the next budget estimates for 1998-1999.

40. In paragraph 167 and table 3 of annex II, as part of the project/programme implementation support component of the biennial budget, the Administrator proposes a level of resources of $7,223,400 for DSS in 1996-1997. The Committee recalls that the DSS concept was introduced by UNDP in its budget report DP/1989/55, paragraphs 128-145, to put at the disposal of UNDP resident representatives specialized human resources in the form of short-term local consultancies. Such expertise was considered essential to assist resident representatives in making better informed programme decisions (DP/1993/45, para. 243). However, the Committee recalls that, in the view of the Board of Auditors, 3/ DSS funds seemed to cover almost any purpose related to development aid in general and were often used at the discretion of the resident representative.

41. The Advisory Committee notes that the Administrator's report (DP/1995/51) does not provide information on the status of implementation of the DSS programme in 1994-1995. The Committee requested but did not receive information on the number of contracts, average costs of the contracts and location and origin of the contractors, as the statistics were not readily available at headquarters. In this connection, the Committee recommends that UNDP submit an evaluation report, through the Committee, to the Executive Board on the development support services programme, with the aim of determining the extent to which this initiative has met its intended objectives. The Committee will review the report in the context of the Administrator's budget proposal for 1998-1999.

42. With regard to headquarters administrative support to national execution, the Advisory Committee notes from paragraphs 179-181 and tables 3 and 4(b) of annex II that the Administrator proposes an amount of $3,832,300 to support the headquarters administrative cost of the National Execution Audit Section (NEXAS) of DAMR and of the Account Section of the Division of Finance. The volume increase of $400,000 (see table 3 of annex II) is explained in paragraph 179, as the result of the cost increases in the services to be provided by the firms of Price Waterhouse in the Asia and Pacific region and Coopers and Lybrand in the Africa region.

Inter-Agency Procurement Service Office

43. The Advisory Committee notes from paragraph 169 that the Administrator believes that most of IAPSO's activities should gradually become self-financing and that a small core capacity should be financed from UNDP resources. Consequently, in paragraph 172, the Administrator proposes to reduce the number of Professional budgetary posts from seven to four and the number of General Service budgetary posts from eight to five. The Committee has no objection to the proposal. The Committee also notes that the Administrator is reviewing IAPSO's activities in consultation with the External Auditors and that he will present a report on IAPSO's procurement services to the Executive Board at its first annual session in 1996. Under the circumstances, the proposed reclassifications for IAPSO should be considered only after the comprehensive review of IAPSO's volume and nature of activities has been completed by the Administrator.

United Nations Volunteers

44. The Advisory Committee notes from paragraph 178 and table 3 of annex II that the Administrator proposes the amount of $32,769,500 in 1996-1997 for the UNV budget. As indicated in paragraph 174, the UNV budget estimates assume the relocation of UNV headquarters from Geneva to Bonn to take place in July 1996. In table 2 of annex II, estimated extrabudgetary income amounts to $2,999,700 for 1996-1997. The proposals for 1996-1997 include the abolition of four Professional and four General Service posts in the core budget of UNV. The Committee was informed that the proposed classification mentioned in paragraph 23 above is for the post of the Chief of Finance from P-4 to P-5 (see table VI.7). On the basis of the information provided to it, the Committee recommends acceptance of the proposed reclassification. The budget proposal for 1996-1997 assumes that the relocation of UNV headquarters from Geneva to Bonn will take place in July 1996. The Committee notes from section II.C of table 3 of annex II a volume decrease amounting to $1,216,700, which reflects changes in the personnel component of the budget but no volume decreases in other budget elements, as was expected after the relocation of UNV headquarters to Bonn.

45. Upon request, the Advisory Committee was furnished with the 1994 expenditures of UNV. Total 1994 programme expenditure amounts to $51.2 million, of which $13.9 million are administrative expenditures at UNV headquarters and $1.8 million administrative expenditures in the field (60 UNV programme officers in the field and other support staff). As mentioned in paragraph 14 above, the Committee believes that steps should be taken to contain both the core and non-core elements of the UNV administrative budget.

Financing of separations and transitional measures

46. As indicated in paragraph 152, the Administrator proposes an amount of $14 million to cover the cost of agreed separations that cannot be implemented through normal attrition, turn-over, reassignments and a recruitment freeze. The Advisory Committee notes that the estimate is based on the separation of an estimated 70 international Professional staff, 55 General Service staff at headquarters and 250 General Service staff in country offices. The Administrator proposes to charge UNDP'S general resources by replenishing the reserve "established in 1993 to accommodate the agreed separations that related to the implementation of the 1994-1995 budget reductions".

47. Upon request, the Advisory Committee was informed that, as of 19 June 1995, the actual cost for agreed separations was $6,842,421, relating to 38 international Professional staff ($5,484,581) and 15 General Service staff ($1,357,840).

48. As indicated in paragraph 52 of the report of the Board of Auditors to the General Assembly at its forty-ninth session, 4/ during the Board's examination of UNDP's financial transactions for the period 1992-1993, the Board identified a large obligation of $6,359,000, recorded as an unliquidated obligation at 31 December 1993, relating to separation costs against the funds approved by the Governing Council for the 1992-1993 period, for separation of staff that had not formally agreed to separate as at 31 December 1993.

49. The Advisory Committee recalls that in paragraph 53 of its report 4/ the Board of Auditors had considered it more appropriate to disclose the earmarking of funds in respect of proposed staff separations, which were budgeted for 1992-1993, through the setting up of a reserve for agreed separations, than by obligating the funds against the resources of the 1992-1993 period since the separations concerned had not been formally agreed at 31 December 1993. The Committee also recalls that, in the Board's opinion, that presentation was intended to disclose fully the impact on the surplus of income over expenditure for the biennium 1992-1993 and to draw attention to the precise purpose of the reserve.

50. In the Advisory Committee's view, however, the situation with regard to the proposed separations for the biennium 1996-1997 is different from the accounting treatment recommended by the Board. The Board's concern was to request the correct disclosure of 1992-1993 expenditures actually incurred or obligated, according to the financial rules, in the period concerned. In the Committee's opinion, all separation charges during the biennium 1996-1997 are expenditures of the biennial budget for this period and should be appropriated and accounted for as such. The Committee, therefore, does not agree with the proposal of the Administrator to replenish the "reserve for budgetary separations". The Committee recommends that any remaining balance of that reserve for agreed terminations be surrendered to UNDP's general resources at the closure of the accounts for the financial period ended 31 December 1995.

51. The Advisory Committee notes from paragraphs 153-156 that the Administrator proposes the use of $8.4 million to cover administrative costs related to the organizational changes in the biennium 1996-1997. These changes are designated

as "transitional measures" and entail: (a) an additional $5 million for further staff reassignments or separations; (b) $1.4 million for personnel services to be provided by a "special Career Transition Unit (CTU)"; and (c) systems development costs of $2 million (see also para. 33 above). In the Committee's opinion, these are administrative costs that UNDP intends to incur in the 1996-1997 biennium. These costs should have been budgeted and disclosed in detail in the document, as part of the amounts budgeted for organizational units of the core budget. The Committee, therefore, does not agree with the Administrator's proposal to replenish the "reserve for transitional measures". The Committee recommends that any remaining unutilized balance of this reserve be surrendered to UNDP's general resources at the closure of accounts for the period ending 31 December 1995.

52. The implication of the recommendations of the Advisory Committee in paragraphs 50 and 51 above is as follows: the total projected expenditure of $22.4 million ($14 million for separations and $8.4 million for transitional measures) should be covered under the item common staff costs and savings in the implementation of the 1996-1997 budget. The Committee was informed that "historically, actual expenditure has been around 95 to 96 per cent of approved appropriations". To the extent that this is not possible the Administration is requested to report to the Executive Board through the Committee on proposals to address any shortfall in this regard. Information should also be provided on the levels of payment made per post and grade and an explanation of the basis of amounts paid.

IV. 1996-1997 BIENNIAL BUDGET OF RESOURCES OF TRUST FUNDS

53. With respect to the administrative budgets for 1996-1997 of the United Nations Capital Development Fund, the United Nations Revolving Fund for Natural Resources Exploration/United Nations Fund for Science and Technology for Development, UNSO and UNIFEM, the Advisory Committee notes from table 3 of annex II that the Administrator proposes an amount of $22,649,500, reflecting a volume decrease of $3,010,900.

54. As regards the United Nations Capital Development Fund, the Advisory Committee notes from paragraphs 60 and 185 that the estimates for 1996-1997 take into account the reorganization of the Fund that started in 1994, resulting in a volume decrease of $2,230,200 in 1996-1997. The Committee notes from paragraph 193 that UNSO will be undertaking a reduction of its overall staffing levels; however, the Committee notes from table 3 of annex II that no volume decrease is being proposed for UNSO in 1996-1997. As discussed in paragraph 196, the United Nations Revolving Fund for Natural Resources Exploration has continued to operate on the basis of a modest contribution by one donor. The Committee recommends that the Board of Auditors keep under review the operations of the United Nations Revolving Fund for Natural Resources Exploration.

Notes

1/ Official Records of the General Assembly, Fiftieth Session, Supplement No. 6 (A/50/6/Rev.1), vol. I, sect. 7A.

2/ Ibid., Forty-ninth Session, Supplement No. 30 (A/49/30).

3/ Ibid., Forty-seventh Session, Supplement No. 5A (A/47/5/Add.1).

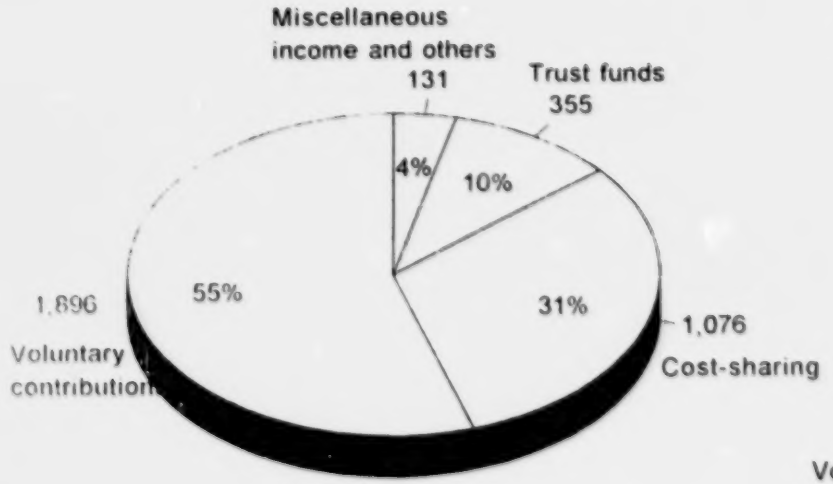
4/ Ibid., Forty-ninth Session, Supplement No. 5A (A/49/5/Add.1), chap. II.

Annex

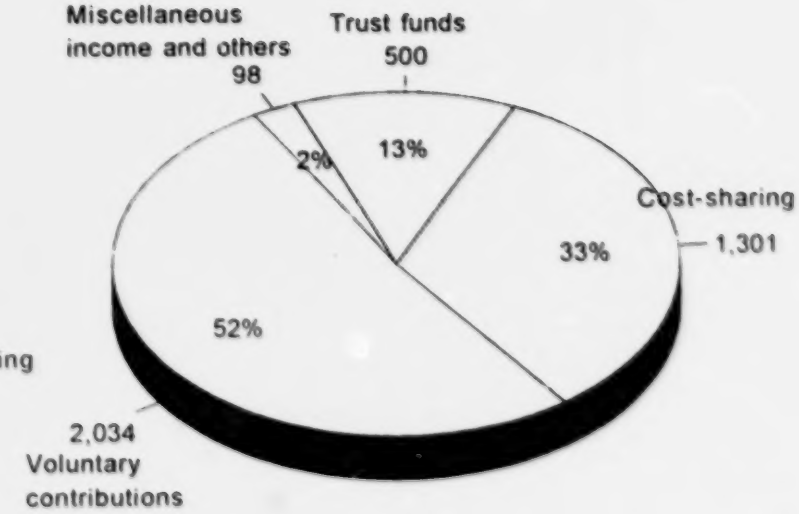
1994-1997

UNDP PROJECTED INCOME BY SOURCE OF FUNDS

in millions of US dollar



1994-1995 income: $ 3,457



1996-1997 income: $3,933

DP/1995/5I: 1994-1995 Revised budget estimates/1996-1997 Budget estimates